

Mr. Ford's Page

WHEN every theory of price reduction is weighed, there is one simple human truth that has more persistence and force than all of them, and it is this: price reduction must be started by those who can stand it best. Those who have benefited by high prices during the past three or four years must be the first to cut down. And this description includes most of the established manufacturing and selling class.

There is a way to pull down prices by pulling down wages, and it has this merit in the eyes of certain members of the business class, namely, that it enables them to make their adjustments without taking a loss.

Reduce the wages, they say, and thereby you will be reducing the cost of production, and by the time the accumulated stocks of goods produced on the old schedules are gone, the prices can gently descend into a lower position.

It is a very good theory, with this exception—it leaves out of account the great producing public who must somehow live during that period when abruptly lowered wages will have to meet a very slow decline in the cost of living. That is, it is a very good theory for the man with money, but it is cruelly hard on the man who depends on his wages.

Everyone knows that though money has been plentiful enough during the war period, and the people had a sense of well-being because of the inordinate rise in their receipts from labor, the gain was not always a real one. Many people who resisted the temptation to extravagance were able to save something, but many others—especially those who lived in cities and rented their homes—found that even "war wages" did not go much further round than the old wages did.

Besides that, there was the mental distress of seeing an apparent gain on one hand being taken away by a very serious increase in costs on the other hand. To earnest people there seemed to be a sort of mockery in it—the promise taken away almost as soon as given. Of course, every lure was held out to people to spend their money wastefully, and this took what the high cost of living had overlooked.

Now, the question arises: If adjustment will cause loss, as it certainly will, who ought to bear it? From a purely humane point of view, those who have the widest margin to turn around upon ought to bear it. People who have very narrow margins, or those who are just able to make both ends meet, ought not to be asked to bear the brunt of the burden.

There is no denying, however, that the lower level *could* be reached by a general reduction of wages, but it could only be reached at the cost of much distress—and there has been distress enough in the world since 1914.

Cutting wages is the easiest and most slovenly way to handle the situation, not to speak of its being an inhuman way. It is, in effect, throwing upon labor the incompetency of the managers of business. If we only knew it, the present situation is a challenge to every manufacturer to put more brains into his business problems, to overcome by management what other people try to overcome by wage reduction. Management in the use of materials and labor is an important factor in costs anyway; a poorly managed business costs much more to run than a well-managed business and, of course, it is the public that pays for the poorly run business.

So that is the challenge today. Make better commodities in a better way; by doing so you are able to give the public more for its money and the workman more for his work.

The time is here for managerial brains to illustrate by profitable feats its real value in the industrial system. Everyone who studies the times knows that the place which management occupies is not

always acknowledged as it should be. Labor has made its place; management must make its place; and the way to do it is for management to assume the burden of adjusting industry to the needs of the time.

That, however, is a special problem. The main thing in most people's eyes is the money reward of labor—wages. To tamper with them before anything else is changed is to evade the real issue. And if the real issue is tackled first, reduction of wages may not be necessary, at least on the scale that some appear to be contemplating now.

The immediate practical point is that, in the process of adjustment, someone will have to take a loss. And who can take a loss except those who have something which they can afford to lose?

But the expression, "take a loss," is rather misleading. Really no loss is taken at all. It is only a giving up of a certain part of the profits. It is profit-sharing in a way that does not bring any advertisement or any praise for being a "philanthropist."

The other day a hardware merchant in a small town said a wise thing. He said, "I expect to take a loss of \$10,000 on my stock last year. But, of course, you know, it isn't like really losing that much. We hardware men have had pretty good times. Most of my stock was bought at high prices, but I have already sold several stocks and had the benefit of it. Besides, the ten thousand dollars which I say that I will lose are not the same kind of dollars that I used to have. They are, in a way, speculative dollars. They are not the good old dollars that bought each 100 cents worth. So, though my loss may sound big, it is not big. And at the same time I am making it possible for the people in my town to go on building their houses without being discouraged by the size of the hardware item."

That was a wise merchant. He would rather take less profit and keep business moving, and keep his stock at high prices than prove a barrier to the progress of his community. A man like that is an asset to his town. He has a clear head. In the end he will not be the loser. He is better able to swing the adjustment that way, than by cutting down the wages of his tinsmiths and delivery men.

It is mighty poor business to keep on with anything that slows up business.

Just now the public is apprehensive. Winter is coming on and there have been rumors in the air. Everybody has become suddenly careful. The observers of business describe the condition as "a buyers' strike." The public is not spending its money as it did only recently.

What is the answer? Meet them half way. Make it worth their while to buy. The wholesalers have, in a measure,

done their part. The banks also have shown commendable wisdom in the counsel they have given the smaller business men. But it is regrettable that the counsel of the banks has not been followed as readily as heretofore. When the banks give advice looking toward the increase of profits, they are very readily followed. Why not now, when their advice looks toward keeping business going on an even keel?

There is no intention here of laying any burdens on the man who is not able to bear them. But it behooves every business man to make a study of his concern and see how much more serviceably and economically he can manage it—not by the poor economy of making others pay, but by making an improved system pay the difference. This is going to be the test of business—better management in the production and distribution of commodities, which means business for the future.

If there is just a lurking desire to wait until after the Christmas trade—don't wait. Do it now. Your Christmas trade will be all the better for it. If the people "skip Christmas" this year, the "waiting until after Christmas" will prove to have been poor business.

MUCH of the talk about price reduction is merely a mental fumbling round for some excuse to postpone the reduction. There are no two ways about it: the way to reduce prices is to reduce them; and the ones to begin the reduction are the ones who began the increase. Leaders must lead the procession both ways, going up as well as coming down, or their leadership may be called in question. From a purely human point of view, the burden of any period of change ought to be borne by those most able to bear it. Losses always follow wrong economic conditions, just as gains accrue during wrong economic conditions; those must endure the one who have enjoyed the other. And it is not loss at that; it is wise investment.